

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
EAST CLARK COUNTY WATER DISTRICT) CASE NO. 8644-1

and

KENTUCKY PUBLIC SERVICE COMMISSION)
VS. EAST CLARK COUNTY WATER DISTRICT) CASE NO. 9119

O R D E R

On May 16, 1984, East Clark County Water District ("East Clark") filed an application in Case No. 8644-1 with the Public Service Commission ("Commission") seeking approval of its purchased water adjustment clause and authority to adjust its rates pursuant to that clause. On August 7, 1984, the Commission entered its Order approving the purchased water adjustment clause and the rate adjustment proposed by East Clark.

On August 20, 1984, East Clark filed a letter with the Commission requesting further consideration of its rate for water for resale, based upon certain provisions of its water purchase contract with the City of Winchester ("City"). On September 4, 1984, the Commission entered an Order finding that this letter should be treated as a motion for rehearing and ordering that rehearing be granted.

On August 1, 1984, East Clark filed a letter of notification with the Commission advising that it had further increased its rate for bulk water sales to a level equal to the bulk sales rate of its supplier. On August 29, 1984, the Commission issued a Show Cause Order in Case No. 9119 requiring East Clark to appear and show cause why it should not be penalized for the unauthorized increase in rates. A hearing was held in the matter on September 19, 1984.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds that:

(1) Both the proposed increase in the rate for water repurchased by the City and the bulk sales rate are the result of contractual provisions within East Clark's water purchase contract with the City. For this reason, as well as the time proximity and the potential effect on East Clark's customers, the Commission is of the opinion that Case Nos. 9119 and 8644-1 should be consolidated.

(2) The City repurchases water from East Clark for the purpose of improving pressure in portions of the City's system. The City repurchased 16,441,850 gallons of water during the 12-month period ended April 30, 1984.

(3) Section 11 of the water purchase contract between East Clark and the City provides that the rate for water repurchased by the City shall increase or decrease in the same proportion as the rate paid by East Clark for water purchased from the City.

(4) The City increased its rate for wholesale water sold to East Clark from \$.87 to \$1.12 per 1,000 gallons or approximately 29 percent, effective with the bill rendered in July, 1984.

(5) Pursuant to the provisions of the water purchase contract, East Clark's rate for water repurchased by the City would be increased from \$1.12 to \$1.45.

(6) The provisions of the water purchase contract constitute good cause, and East Clark should be allowed to deviate from 807 KAR 5:067 in adjusting its rate to recover the allowable increase in purchased water costs.

(7) A significant increase in bulk sales, such as that which could result from East Clark's charging a lower bulk sales rate than the City, would adversely affect East Clark's other customers. This was demonstrated in the summer of 1983 when East Clark was unable to maintain adequate service during periods of peak demand for customers located in the vicinity of Highways 15 and 89. In order to avoid excessive demand caused by migration of bulk sales customers in response to lower rates, the water purchase contract provides that the City may withdraw its consent for bulk sales by East Clark unless East Clark charges the same rate as the City.

(8) By letter dated July 2, 1984, the City notified East Clark that unless it immediately adjusted its bulk sales rate to \$4.48 per 1,000 gallons, equaling the bulk sales rate charged by the City, consent for bulk sales by East Clark would be withdrawn based on the water purchase contract. Such withdrawal of consent would result in the City refusing to sell a sufficient quantity of water to East Clark to enable it to continue operation of its bulk sales stations and could restrict the water supply available for other customers. Such action by the City would also cause a revenue loss which would adversely affect both East Clark and its customers.

(9) Continuation of bulk sales services is in the best interest of East Clark and its customers and constitutes good cause; and an increase in the bulk sales rate to \$4.48 per 1,000 gallons, which is equal to that charged by the City, should be approved.

(10) The rate of \$4.50 currently being charged by East Clark is in excess of that charged by the City and should be denied.

(11) The increased rate for water resold to the City will produce additional annual revenue of \$987,¹

¹

16,441,850 gallons x \$1.45 per 1,000 =	\$23,841
16,441,850 gallons x \$1.39 per 1,000 =	<u>22,854</u>
additional revenue	\$ 987

and the increased rate for bulk water sales will produce additional annual revenue of \$6,208.² These total \$7,195³ above the total allowable increase in purchased water costs of \$11,569 determined in the Commission's Order of August 7, 1984.

(12) Any revenue acquired by East Clark due to over-collection on bulk sales that has occurred in the past would be minimal; therefore, no refund should be required.

(13) Upon application of KRS 278.030, the realization of this amount of excess revenue is unfair, unjust and unreasonable; therefore, the rates of East Clark's general customers should be reduced accordingly.

(14) The rates in Appendix A are the fair, just and reasonable rates to be charged by East Clark and should be approved.

IT IS THEREFORE ORDERED that Case No. 9119 and 8644-1 be and they hereby are consolidated.

IT IS FURTHER ORDERED that the bulk sales rate proposed by East Clark be and it hereby is denied.

2	8,503,560*gallons x \$4.48 per 1,000 = \$38,096
	8,503,560 gallons x 3.75 per 1,000 = <u>31,888</u>
	additional revenue \$ 6,208

3 \$987 + 6,208 = 7,195

*12 months sales based on 10 months actual sales (1/1/84-10/31/84) and 2 months average sales.

IT IS FURTHER ORDERED that East Clark be and it hereby is allowed to increase its rates for bulk sales and water resold to the City to \$4.48 and \$1.45 per 1,000 gallons, respectively, in accordance with the provision of its water purchase contract.


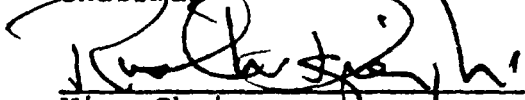

IT IS FURTHER ORDERED that the rates to East Clark's general customers shall be reduced by an amount sufficient to compensate for the excess revenues generated by the increased rates approved herein.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, East Clark shall file its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 21st day of December, 1984.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CONSOLIDATED CASES NOS. 9119
AND 8644-1 DATED DECEMBER 21, 1984.

The following rates are prescribed for customers served by East Clark County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

GALLONAGE BLOCKS

RATES

First	2,000 gallons	\$8.44 Minimum Bill
Next	2,000 gallons	3.57 per 1,000 gallons
Next	3,000 gallons	3.07 per 1,000 gallons
Next	3,000 gallons	2.47 per 1,000 gallons
Over	10,000 gallons	1.82 per 1,000 gallons

Meter Rates to Multi-Unit Premises

Water bills to all multi-unit premises, including duplexes, apartment buildings, trailer parks, mobile home parks, and premises containing both a permanent dwelling and a mobile home or trailer, having a single master meter, shall be computed by dividing the number of gallons of water registered by such master meter in each month by the number of units on such premises, and the bill for each unit shall be computed from the rate schedule. The amount of the unit bill so computed shall then be multiplied by the number of units on the premises on the day the meter is read, to establish the monthly bill for such premises. The minimum monthly bill to each multi-unit premises shall be \$8.44 multiplied by the number of units on the premises on the date the meter is read.

Water For Resale	\$1.45 per 1,000 gallons
Bulk Water Sales	4.48 per 1,000 gallons